

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR AN) **CASE NO. AVU-E-05-6**
ORDER APPROVING RECOVERY OF)
DEFERRED POWER COSTS) **ORDER NO. 29881**
_____)

On August 11, 2005, Avista Corporation filed an Application for an Order approving extension of its existing Power Cost Adjustment (PCA) surcharge that allows the Company to recover above normal costs of supplying power to its customers. In October 2001 the Commission approved a 19.4% PCA surcharge to enable the Company to pay down a \$78 million power cost debt incurred during the 2000-2001 western states energy crisis. The Commission last year reduced the surcharge to 4.38%, and in April of this year reduced it again to its current level of 2.448%. Avista's deferred power cost balance was \$26.1 million as of June 30, 2004, but was reduced to \$5.9 million as of June 30, 2005. The existing PCA surcharge produces annual revenues of approximately \$4,268,000, which is less than the remaining deferral balance.

On September 1, 2005, the Commission issued a Notice of Application and Notice of Modified Procedure to process Avista's Application. The Notice established a 21-day period for interested parties to file written comments. Written comments were filed by the Commission Staff and three members of the public. The public comments generally object to any rate increase for Avista, and one recommended that recovery of the excessive power costs during 2000-2001 should come from shareholders or previous Company officials.

Staff in its comments reviewed the amounts that comprise the deferral balance and determined that the amounts are reasonable, including the Company's calculation of interest on the deferral balance. Staff recommended the Commission accept them as filed by the Company. Staff also recommended that the current PCA surcharge remain in place as proposed by the Company to allow further reduction of the deferral balance.

The normal costs of supplying power to customers are recovered in the utility's base rates. A utility may incur higher than normal power costs from unusual circumstances, however, such as low water conditions or higher than expected market conditions. In those circumstances,

the Commission has approved a temporary PCA surcharge to enable the company to recover its higher than normal costs. Revenues from a PCA surcharge are used only to pay the increased power costs and do not increase the earnings of the company.

The Commission approved a PCA for Avista after the unusual increase in power supply costs following the 2000-2001 debacle in the wholesale energy markets resulted in a \$78 million deferred cost balance for the Company. Since then, the debt has been reduced to \$5.9 million, and the Commission has reduced the PCA surcharge from 19.4% to 2.448%. The report filed by Avista and audit by Staff indicate the Company is properly accounting for PCA revenues and appropriately applying them to excess power costs. By leaving the PCA in place for another year, Avista will be able to further reduce the power cost deferral balance and customers will not experience any increase in existing rates.

On the record presented, the Commission approves the Application of Avista for an Order to continue the current PCA surcharge of 2.448%. The Company proposed to file a status report on or before August 15, 2006, covering the period from July 1, 2005 through June 30, 2006. Accordingly, we direct the Company to file a status report on or before August 15, 2006. The Commission can review the Company's filing next year and determine whether the PCA surcharge should again be lowered or to make other appropriate adjustments.

ORDER

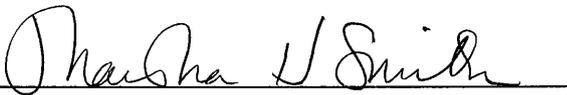
IT IS HEREBY ORDERED that the Application of Avista Corporation for an Order to continue the current PCA surcharge of 2.448% is approved. The Company is directed to file a status report on or before August 15, 2006, accounting for PCA funds and payment of the power cost deferral, covering the period from July 1, 2005 through June 30, 2006.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) or in interlocutory Orders previously issued in this Case No. AVU-E-05-6 may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this ^{October} ~~September~~ 3rd day of ~~September~~ 2005.



PAUL KJELLANDER, PRESIDENT

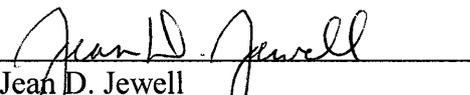


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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